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PP RUEHDE  
DE RUEHMK #1750/01 2771613  
ZNY CCCCC ZZH  
P 041613Z OCT 06  
FM AMEMBASSY MANAMA  
TO RUEHC/SECSTATE WASHDC PRIORITY 5729  
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE PRIORITY  
RUCPDOG/USDOC WASHDC PRIORITY  
RHEBAAA/DOE WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 MANAMA 001750

SIPDIS

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NEA/ARP, EB/ESC/IEC/EPC FOR GLENN GRIFFIN  
COMMERCE FOR TYLER HOFFMAN

E.O. 12958: DECL: 10/01/2016  
TAGS: [ENRG](#) [EPET](#) [ETRD](#) [ECON](#) [BA](#) [REGION](#) [ECTRD](#)  
SUBJECT: NATIONAL OIL AND GAS OFFICIAL HIGHLIGHTS GROWING  
GAS DEMAND

REF: 05 MANAMA 1601

Classified By: Ambassador William T. Monroe, reasons 1.4 (b) and (d)

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SUMMARY  
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¶1. (C) National Oil and Gas Authority (NOGA) Chairman Dr. Abdul Hussain Ali Mirza September 28 told the Ambassador that a plan to import gas from Qatar (reftel) had been delayed and that if a deal is concluded, Qatari gas would not be expected to begin flowing to Bahrain until 2011. He said Iran is eager to supply gas to Bahrain, but the GOB has thus far declined. The GOB is exploring measures to increase domestic gas production. Once completed, the GCC power grid could free-up some gas currently used for power generation and other industrial processes. Despite an increasing gas demand, Mirza noted that the GOB continues to heavily subsidize domestic fuel to the tune of \$212 million per year.  
End Summary.

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PIPELINE PLAN OUT OF GAS  
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¶2. (SBU) NOGA Chairman Dr. Abdul Hussain Ali Mirza told the Ambassador September 28 that Bahrain's plan to import gas from Qatar (reftel) had been delayed following a Qatari moratorium on further gas exports until the end of 2007. Mirza explained that Bahrain and Qatar had failed to come to terms before Qatar implemented the moratorium, which he said had been instituted in response to an abundance of new projects requiring gas in Qatar. If a deal can be reached, and assuming pipeline construction starts in 2008, Qatari gas would not begin flowing to Bahrain until 2011.

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IRANIAN GAS REBUFFED, DOMESTIC ALTERNATIVES SOUGHT  
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¶3. C) Mirza stated that Bahrain was currently able to meet its needs with domestic gas production, but that growing demand meant that Bahrain would need to expand its gas supply. (Note: Bahrain currently has a domestic gas production level of one billion cubic feet per day and does not import gas. Natural gas reserves stand at roughly 3.25 trillion cubic feet, much of which is associated gas from the Awali field. End Note.) Mirza noted that Iran was eager to supply gas to Bahrain, but said the GOB has thus far resisted Iran's overtures in anticipation of USG disapproval.

¶4. (SBU) Mirza said his first priority was gas exploration.

He also cited a need for Bahrain to expand its liquefied natural gas storage capacity and strategic reserves and said a GOB-commissioned study suggested that the Bahrain Petroleum Company (BAPCO) should drill additional on-shore wells to help meet demand through 2011. He added that new technology could be leveraged to extend the productivity of existing wells.

15. (C) He said Russian companies showcasing technology that revitalizes old wells have offered to work Bahrain. In addition, Chevron and Shell may join with Total to drill new wells below fifteen thousand feet in an attempt to exploit previously untapped reserves. Six off-shore blocks have been designated for exploration. Mirza, who also serves as chairman of the Bahrain Tender Board, added that interested companies would be brought in through the tendering process.

16. (SBU) He said that a GOB committee comprised of the NOGA, the Economic Development Board, the Ministry of Industry and Commerce and BAPCO was also currently evaluating additional measures to maximize Bahrain's gas supply. The GCC power grid, which is due to be completed by 2010, could serve as an additional source of power to meet part of the demand now being met by gas-fired power generation plants and other industrial processes. Fuel oil is also being evaluated as a gas alternative for industrial use.

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DOMESTIC SUBSIDIES SUBSTANTIAL, PROBLEMATIC  
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17. (C) Mirza noted that the GOB had not adjusted consumer gas prices since 1983 and that these prices currently amounted to an 80 million dinar (approximately USD 212 million) annual

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subsidy. He added that the current price of diesel, 70 fils per liter (approximately 71 cents per gallon) was so low that diesel smuggling from Bahrain had become a problem.

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